# Restaurant Business

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## Long John Silver's

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Not long ago, this quick service fish chain had its share of troubles. Squeezed by escalating seafood prices and excessive discounting in response to mounting competition, parent company Jerrico's bottom line was shrinking. Sweeping change was called for, and an ambitious Action Plan has now been implemented, taking aim at the 1,360-unit chain's image and customer base with revamped menus, improved marketing and operations, and comprehensive unit remodelings. ..... 99

## MENU IDEAS

**Untapped riches: Grains & legumes**
Operators have yet to explore the riches of grains and legumes, starches that can extend and diversify menus at a low cost. In the *RB* Test Kitchen, food editor Maria Cianci created recipes and suggestions for appetizers, soups, salads, and side dishes—as well as center-plate specialties—that tap this versatile category..... 139

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*Cover photo by Edward Betz.*

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## More competition in industry

The aging American population, rising levels of disposable income, growing numbers of small families, and dual income households are creating increasing competition in the restaurant industry, according to a recent study by Dun & Bradstreet.

Because of the slowing pace of population growth in the U.S., competition is intensifying and restaurants are focusing their efforts on increasing market penetration and building traffic volume. As a result, some standard perceptions are changing. Many fast food chains have started redesigning their menus as well as their buildings to attract an older customer. In addition, many small, upscale restaurants are now emphasizing competitive pricing and are trying to appeal to a broader customer base. Other restaurants are responding to the demand for lighter, healthier foods or ethnic and regional cuisines.

One of the most dramatic developments, the study shows, is the new emphasis on convenience. Many restaurants are adding take-out and delivery service to boost volume and to capitalize on the growing customer demand for convenience dining. Total revenues for food consumed off-premises is currently estimated to be as high as $2.5 billion and predicted to reach $7 billion by the 1990s. States with the highest projected sales growth for the past year are located in the Sunbelt. The exception is Alaska, which ranked first in expected sales growth.

**The top 10 states ranked by projected restaurant sales growth**

| | | % Change |
|---|---|---|
| 1 | Alaska | 11.3% |
| 2 | Texas | 11.2% |
| 3 | Colorado | 11.0% |
| 4 | Oklahoma | 11.0% |
| 5 | Arizona | 10.7% |
| 6 | Wyoming | 10.7% |
| 7 | New Mexico | 10.5% |
| 8 | Florida | 10.3% |
| 9 | Louisiana | 10.2% |
| 10 | South Carolina | 10.2% |

*Source: Dun & Bradstreet Credit Services and The National Restaurant Association*

*Alaska leads in restaurant sales growth; the Sunbelt follows.*

## NJRA welcomes new president

Cocktails, dinner, and an awards ceremony were all part of the New Jersey Restaurant Association's 1986 Installation of New Officers/Directors' Dinner.

The dinner was held to commemorate the outgoing NJRA president, Andrew Arbes, owner of Clare & Coby's Restaurant, and to welcome the incoming president Jeff Beers.

Beers, who was recently honored as Restaurateur of the Year by NJRA, is a principal in Growth Enterprises, Inc., which operates a six-unit New Jersey-based concept called The Office that he founded with partner Jack Welch. The Office is a quick service, mid-priced chain that features burgers and fries with a variety of toppings as well as shrimp and lobster scampi, all within a $4 to $10 price range.

*NJRA's new president Jeff Beers, Growth Enterprises.*

One of the primary challenges Beers will confront as NJRA president is the rising insurance costs that have resulted from liquor liability and dram shop laws.

"We have to make the penalty for all parties proportionate to the act that they commit," says Beers. "Too often, restaurateurs end up paying more simply because restaurant insurance costs more than car insurance." Other goals for the year include increasing membership and getting positive legislation for the industry passed.

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# 3 ways to reel in the big spenders.

Last year, Americans age 24-45 spent an estimated $2.5 billion for "boutique" cookies, and that's expected to double this year.

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PEPPERIDGE FARM

# The steak house stampede

by Jacque White Kochak

**Many chains are rushing to change menus, decor, and their outdated 'budget' image.**

The steak segment is in the midst of radical change, as consumers move away from red meat *and* demand more variety. Nowhere is this more apparent than among the so-called "budget" steak houses, a subsegment seen as dead or dying by some and defended as viable and healthy by others. Though there are many successful upscale steak houses (predominantly independently owned) that are enjoying growth catering to those consumers who love a good steak, no matter what, the family-price steak chains are finding that a certain amount of self-evaluation is an absolute necessity.

"I don't feel that the budget steak category is even in existence today," says Lane Schmeising, vice president of marketing for USACafes, which operates some 530 Bonanzas nationwide. "Our menu has gone through a tremendous evolutionary process, and we now consider ourselves a budget family meal restaurant."

"There is no budget steak category," concurs Michael Minchin, Jr., vice president of advertising for Sizzler Restaurants International Inc., a subsidiary of Collins Foods International with some 550 restaurants nationwide. "We have been moving into the casual dining segment for the last two or three years."

Meanwhile, other companies proclaim themselves to be solidly ensconced in the budget steak segment, with no intention of repositioning, although they are experimenting with menu additions to reach a broader market.

Spokesmen for these companies dispute the contention that the segment is dying. "Some companies are going to have to decide what they want to be," says Marshall Digh, president of Western Steer-Mom 'n' Pop's Inc., which operates about 200 steak houses in the Southeast. "Somebody's going to stay in the economy steak business, and we want it to be us."

The outlook is equally mixed for steak restaurants operating at higher price points. These restaurants are selling quality more than price, and some say they see little diminution in demand. They, too, are expanding menus somewhat in an effort to offer the customer more choices. For most of them, however, the focus continues to be on steak.

"We are a steak house, that's what we do best, and that is where we will stay," says Ruth Reed, vice president of marketing for Steak & Ale, a Pillsbury subsidiary, in summing up the general attitude. "Though we just added fresh fish, in no way will fish become a majority of our sales or entrees."

*Steak is still the most common customer choice at Ponderosa.*

## Segment growth

The steak segment has been among the slowest growing segments included in the report "Restaurant Franchising in the Economy, 1978-1983," prepared by the U.S. Department of Commerce and *Restaurant Business*. Between 1978 and 1983, sales of full menu steak restaurants grew only 60 percent, from $4.5 billion in 1978 to $7.3 billion in 1983 (the

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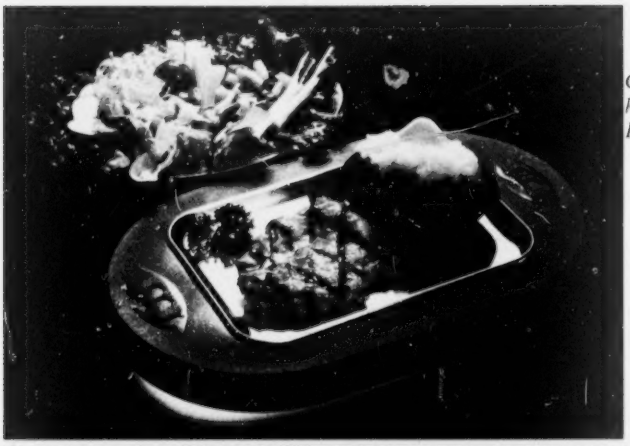

*Chicken entrees have helped boost Bonanza's traffic.*

*Ryan's new Mega Food Bar has upped sales significantly.*

latest year for which figures are available). Only pancake and waffle restaurants, with a 45 percent increase in sales during the five-year period, showed slower growth. By comparison, seafood restaurants increased total sales by 190 percent, and pizza restaurants by 154 percent.

Though steak is an American institution, restaurants specializing in steak are not as common as one might think. According to the Spring 1985 RE-COUNT study prepared by the Restaurant Consulting Group, Inc., restaurants specializing in steak comprise only 2.5 percent of total U.S. restaurants, down from 2.6 percent in 1984. By contrast, 10.8 percent serve pizza, and 8.5 percent serve hamburgers.

## Family-priced steak houses

As noted, total repositioning is a strong trend in this segment. Sizzler and Bonanza are leading the move.

Sizzler's annual revenues and net income continue on an upward trend, with systemwide revenues for fiscal 1985 reaching $443.3 million, an increase of $59.3 million over 1984 systemwide revenues of $384 million. What is significant is that average unit volumes have increased to some $1.2 million (slightly less for franchised units) in the first quarter of fiscal 1986 from around $800,000 in the first quarter of 1984.

A key part of repositioning is expansion of the menu, and vice president of advertising Minchin says that 63 percent of menu items are now non-beef, and that fresh fish sales run as high as 20 percent in some units. In addition to steak, the menu now includes a number of fish items and chicken, as well as combination platters.

The menu is supplemented by a massive fresh fruit and salad bar and an all-you-can-eat soup bar, which Sizzler credits with spurring healthy increases in lunch customer counts.

An aggressive remodeling program is also aiding Sizzler's move away from its old image. Sixty-seven company restaurants were remodeled in fiscal 1985, with the newly redesigned units showing 30 to 100 percent increases in sales and customer counts, says Minchin. Besides concentrating on converting the units to the new look, the company will open 15 to 20 stores a year in addition to new franchises.

**Steak houses represent only 2.5 percent of total U.S. restaurants.**

An important part of Sizzler's expansion strategy recently was the purchase of Tenley Enterprises, which gives the company a significant foothold on the East Coast. Tenley's operated 80 Rustler steak houses in New England, Pennsylvania, and the Mid-Atlantic region.

Like Sizzler, Bonanza is succeeding in attracting a younger, more affluent customer by remodeling units and broadening the menu. The result has been increased customer counts, increased net income, and substantially higher average unit volumes in newer units, says vice president of marketing Schmeising.

Revenues were up 15 percent to $420 million in fiscal 1985, from $388 million. Net earnings were also up some 15 percent, he says. Most significantly, new restaurants last year showed volumes of $1.2 million, compared to a chainwide average of $800,000, says Schmeising.

The shift away from an all-steak menu began with "Freshtastics," a massive salad, soup, vegetable, fruit, cheese, bread and dessert bar introduced in 1980. Some 33 to 35 percent of Bonanza's sales now come from salad as a main course. Next came broiled chicken and seafood. Now fajitas and catfish are in test.

Bonanza plans aggressive growth in the next few years, with some 50 to 60 units opening annually. The majority will be franchised. USA-Cafes, parent of Bonanza, recently tendered an unsolicited cash offer to Ponderosa stockholders; Ponderosa directors promptly rejected the of-

*continued on page 120*

fer, but USACafes has announced its intention to continue its pursuit.

A repositioned York Family Restaurants division has been targeted as one of several areas of increased emphasis for parent General Mills Corp. The first move was to eliminate the dark British feel of units in favor of a light, bright look. A total of 109 out of 121 restaurants are located in shopping malls, and an integral part of the makeover involves replacing the lease-line wall with a take-out counter, which opens the restaurant up to mall corridors.

York's new Choices concept retains the menu's popular steaks, but more chicken and seafood are featured as well as croissant sandwiches, a broiled chicken breast sandwich, two cheeseburgers, and sandwiches.

Ponderosa's efforts have also been extensive; over the last few years, the company has added filet mignon, sirloin tips, chicken breast fillet, country fried steak, chicken Italian, shrimp, fried and baked fish, and a variety of sandwich platters.

In fiscal 1984 the company introduced its 50-item, all-you-can-eat salad buffet, followed by the introduction of a breakfast buffet, the "Hot Spots" vegetable buffet, and an all-you-can-eat sundae bar now in test in about 100 units. The sundae bar, priced at 49 cents with an entree, will be rolled out systemwide by March, says Jim Thompson, chief financial officer and senior vice president of Ponderosa.

Despite all the menu expansion, Thompson is emphatic that the company is not leaving the steak segment. "Steak is still our most common customer choice by two to one," he says.

Part of the strategy behind some of the menu introductions is to lower food costs and improve profit margins. This move is prompted by the fact that net income for fiscal 1985 declined to $8.4 million from $12.1 million in fiscal 1984, despite record systemwide revenues of $694.7 million in fiscal 1985 (sales for company stores were up 20 percent to $513.3 million). Thompson estimates that sales for fiscal 1986, ended this February, will be about the same as last year's, but that net profit will improve.

Like Sizzler, Bonanza, and York, Ponderosa is pursuing a remodeling program to lighten and brighten units. Everything from signage to uniforms is being "freshened."

Ponderosa has announced a goal of adding 500 franchised units in the next six years, with the Sunbelt states being emphasized to avoid the economic and weather cycles of the Midwest and Northeast, where most units are now located.

**Some chains are remodeling to attract a broader and more affluent customer base.**

Quincy's and Western Steer, both with units concentrated in the Southeast, have added "hot bars" similar to Ponderosa's "Hot Spot." For example, 200-unit-plus Quincy's hot bar offers black-eyed peas, green beans, corn, fried okra, macaroni and cheese, and zucchini. The hot bar comes with the salad bar. Steak continues to dominate Quincy's menu, but the company recently added a homestyle chicken fillet.

Western Steer, which also operates around 200 units, is concentrating on expanding company-owned units. Only 32 are currently company-owned, says president Marshall

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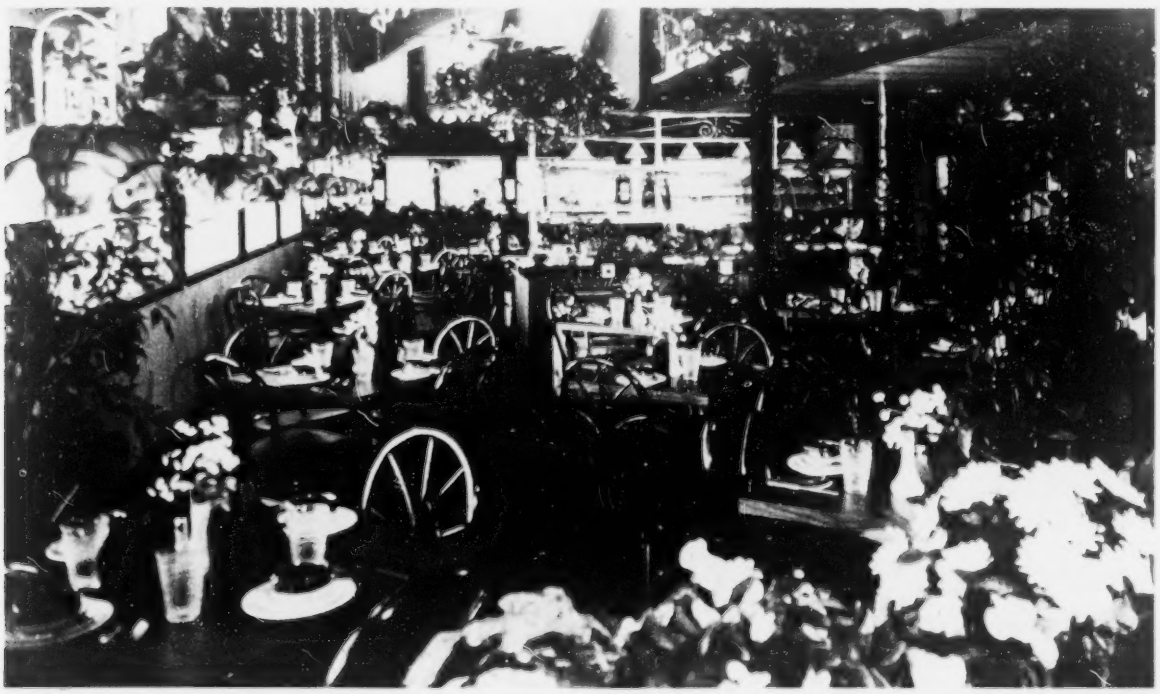
*As a result of remodeling 67 units in fiscal '85, Sizzler had increases in sales and customer counts.*



Digh the strategy is to increase that ratio to 50-50. Total systemwide sales for fiscal 1986 (ended February) are projected at about $175 million. Average unit volumes spiraled by increased customer counts have risen to $900,000 from $872,000 a year ago, says Digh.

Golden Corral, with 455 units scattered across the country, is holding steady with its heavily beef-oriented menu, though chicken was added last year and fried shrimp was just added this quarter. At Golden Corral, USDA Choice beef is cut fresh in every unit, and president Ted Fowler attributes the company's 13th record year in sales, profits, and numbers of stores to the quality of the product.

A small chain (54 units) that is showing big growth is South Carolina-based Ryan's Family Steak Houses, which also emphasize quality — in fact, food costs typically run close to 50 percent. Sales were projected to grow by 40 percent in 1985, and analysts predict the company will be able to keep up that growth rate through the next decade. Average unit volumes are $1.5 million.

Menu additions have been kept to a minimum, and Ryan's has no plans to remodel units, but the company has added a new Mega Food Bar that has upped sales significantly.

## Customers still like beef, but want innovation and variety too.

### Full service steak houses

Many full service steak restaurants, though affected somewhat by consumers' move away from red meat, are faring quite well. Others, notably Victoria Station, are suffering. Most have broadened their menus somewhat.

Typical is Steak & Ale, with 181 units in 29 states. Sales and customer counts are strong (sales for fiscal 1985 were $268.5 million, up 4.5 percent over 1984) but the company recently added several fresh fish selections daily. Four to six fresh fish entrees, either grilled or baked, are served with steamed vegetables in butter sauce and rice pilaf.

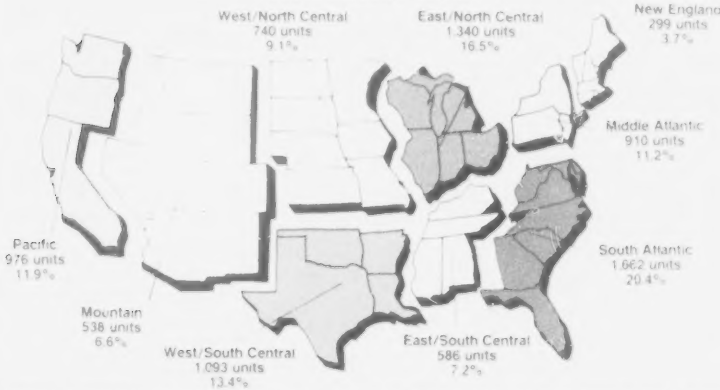
Managers call an 800 number before 4 p.m. each day to find out the next day's fresh fish selections and prices. The fish is then sent Federal Express from the docks at Ft. Lauderdale, by Steak & Ale personnel, eliminating a middleman.

Besides the move to add new entrees to menus, consumers are showing interest in different ways of preparing beef, says Ruth Reed, Steak & Ale's vice president of marketing. The company has added bearnaise, peppercorn, red wine and horseradish sauces to the menu to add interest to any entree.

"People are still looking for beef, but they want to see more variety and innovation in how it is prepared and presented," Reed says. "If you like beef, you like it.

## South Atlantic Leads in Steak Units

**Midwesterners and Southerners like their steak best of all. Together, the two regions represent nearly forty percent of all steak house units.**




*Note: Percentages represent distribution of steak house restaurants by Census region. There are 8,144 steak house restaurants in the U.S.; 2.5 percent of total U.S. restaurants. Source: Restaurant Consulting Group, RE-COUNT, Spring 1985.*

**Key:** darkest areas indicate highest concentration of units. lightest areas indicate lowest concentration of units.

## THE TOP TEN "BUDGET" STEAKHOUSE CHAINS

| Company Name (current average unit volume) | 1985 Systemwide Sales | 1984 Systemwide Sales | 1985 Units | 1984 Units |
|---|---|---|---|---|
| **Ponderosa ($1 million)** | $694.7 million | $595.9 million | 621 | 600 |
| **Sizzler ($1.2 million)** | $443.3 million | $384 million | 465 | 451 |
| **Bonanza ($800,000)** | $420 million | $387.5 million | 551 | 551 |
| **Western Sizzlin' ($840,000*)** | $420 million* | $428 million* | 500 | 510 |
| **Golden Corral ($750,000)** | $290 million* | $216.5 million | 453 | 382 |
| **Quincy's ($850,000*)** | $200 million* | $169 million* | 200 | 198 |
| **Western Steer ($900,000)** | $164 million** | $157 million | 187 | 177 |
| **York Family Restaurants ($1.2 million*)** | $145 million* | $156 million* | 121 | 129 |
| **Mr. Steak** | $128 million* | $148 million | 197 | 227 |
| **Ryan's Steak Houses ($1.5 million)** | $55 million | $32.7 million | 54 | 45 |

**Restaurant Business* estimate **Fiscal 1986, ending 2/86

For information circle number 87 (sectional)

# NOTE

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